

# Fiscal Note

*Fiscal Services Division*



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**SF 2328** – Revenue Department Technical Bill (LSB 5305SV)  
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Fiscal Note Version – As passed by the Senate

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## **Description**

**Senate File 2328** makes technical corrections to Iowa's revenue laws. The Bill has one provision with an identified fiscal impact. That provision requires any permit holder operating a roll-your-own (RYO) cigarette machine to pay to the Department of Revenue a tax equal to 45.0% of the per cigarette tax levied on cigarettes, recognizing that a tobacco tax is already paid on the tobacco used to assemble the cigarettes. The current cigarette tax is 6.8 cents per cigarette. This amendment would levy a tax equal to 3.06 cents on each cigarette dispensed by a machine. It would have no impact on the tobacco tax levied on the tobacco used as an input to the machine. This change is effective July 1, 2012.

## **Assumptions**

- To produce one carton (200) of cigarettes, a RYO machine requires 8 ounces of loose tobacco.
- RYO machines produce the equivalent of 50 cartons of cigarettes every day of the year.
- There are currently five machines operating in the State with six more expected to be added by the start of FY 2013. It is assumed that the machine count will increase by five each year beginning in FY 2014.
- With the tax change, cigarette purchases made through RYO businesses or made through traditional retail purchases will produce the same overall tax revenue.
- The March 2012 Revenue Estimating Conference estimate for FY 2013 General Fund revenue estimate assumed the introduction and expansion of RYO machines and therefore assumed a General Fund revenue reduction associated with the use of RYO machines.

## **Fiscal Impact**

The cigarette tax change contained in the Bill will increase net General Fund revenue by the following amounts.

General Fund Net Revenue Increase (in millions)	
	Cigarette and Sales Tax
FY 2012	\$ 0.00
FY 2013	1.29
FY 2014	1.88
FY 2015	2.47
FY 2016	3.04

**Source**

Department of Revenue

/s/ Holly M. Lyons

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April 16, 2012

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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